

Message Text

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PAGE 01 DAKAR 08496 231732Z

ACTION EB-08

INFO OCT-01 AF-10 IO-13 ISO-00 L-03 FRB-03 OMB-01

ITC-01 SP-02 USIA-06 AGRE-00 AID-05 CIAE-00

COME-00 INR-07 LAB-04 NSAE-00 OIC-02 SIL-01

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FM AMEMBASSY DAKAR

TO SECSTATE WASHDC PRIORITY 2160

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E.O. 11652: N/A

TAGS: EGEN, ETRD, PORG, UNCTAD, SG

SUBJECT: SUSPENSION OF UNCTAD COMMON FUND TALKS

REF: (A) STATE 295700, (B) STATE 298320

1. SUMMARY: IN RESPONSE TO US DEMARCHE ON SUSPENSION OF COMMON FUND NEGOTIATIONS, SENIOR SENEGALESE FOREIGN MINISTRY OFFICIAL HAS EXPRESSED AGREEMENT THAT PROPOSED FUND SHOULD HAVE SOLE FUNCTION OF STABILIZING COMMODITY MARKETS. HOWEVER, SENEGAL BELIEVES COMMON FUND WILL NEVER COME INTO EXISTENCE IF IT IS DEPENDENT ON PRIOR ESTABLISHMENT OF INDIVIDUAL COMMODITY AGREEMENTS. END SUMMARY.

2. AMBASSADOR REVIEWED COMMON FUND NEGOTIATIONS IN DECEMBER 15 MEETING WITH AMBASSADOR YOUSSEPH SYLLA, CABINET DIRECTOR IN SENEGAL'S FOREIGN MINISTRY, WHO CHAIRED 1975 DAKAR COMMODITIES CONFERENCE AND IS INFORMED STUDENT OF NORTH-SOUTH ECONOMIC ISSUES. AMBASSADOR'S PRESENTATION AND SUBSEQUENT DIPLOMATIC NOTE MADE POINTS SPECIFIED IN REF A, PARAS 4 AND 7.

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PAGE 02 DAKAR 08496 231732Z

3. SYLLA SAID THAT GROUP B'S MODEL FOR A COMMON FUND IS PERFECT, BUT UNFORTUNATELY TOTALLY UNREALISTIC. HE SAID EXPERIENCE SHOWS THAT IT TAKES ABOUT TWELVE YEARS TO DEVELOP A SINGLE COMMODITY AGREEMENT. IF THE COMMON FUND IS TO EXIST AS A CREATION OF EXISTING COMMODITY

FUNDS, THEN THE COMMON FUND WILL NEVER COME INTO BEING.

4. SYLLA SAID SENEGALESE GOVERNMENT AGREES THAT THE COMMON FUND SHOULD HAVE ONLY ONE FUNCTION, TO STABILIZE COMMODITY MARKETS. THE FUND SHOULD NOT BE AN ADDITIONAL VEHICLE FOR THE TRANSFER OF RESOURCES, NO SHOULD IT SUBSTITUTE FOR EXISTING FINANCING SOURCES DESIGNED TO AID IN THE DIVERSIFICATION OF AGRICULTURAL PRODUCTION. FOR A COMMON FUND TO COME INTO EXISTENCE AS A STABILIZING MECHANISM, HOWEVER, THE ONLY REALISTIC COURSE TO FOLLOW IS TO CREATE THE FUND AND PUT MONEY INTO IT. THE FUND COULD THEN INTERVENE IN COMMODITY MARKETS TO PREVENT DAMAGING FLUCTUATIONS. SYLLA SAID HE BELIEVES THE PROBLEM DOES NOT LIE IN THE COMCEPT OF THE FUND AS HE ENVISAGES IT, BUT IN THE CONTROL OF FUND. HE COULD NOT ENVISAGE THE CONSUMER COUNTRIES RELINQUISHING OR SHARING CONTROL OF SUCH A FUND WITH PRODUCERS. THAT'S THE HEART OF THE PROBLEM, HE SAID. I RESPONDED THAT CONTROL MUST BE A CRUCIAL ELEMENT, SINCE IN MY LIMITED EXPERIENCE, PRODUCERS ARE ALWAYS ENTHUSIASTIC ABOUT ESTABLISHING FLOOR PRICES, BUT TEND TO FORGET ABOUT STABILIZATION WHENEVER SHORTAGES DEVELOP.
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